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MEMORANDUM TO STATE, COUNTY AND COMMUNITY COMMITTEEMEN
Northeast Division.

We know that you, as an Agricultural Adjustment Administration committeeman, are interested in the Agricultural Adjustment Act of 1938 approved by the President on February 16, 1938; especially because some points of the new law will have a direct effect on farmers in the Northeast.

In this letter we give our summary of what is in the Act and of what it will mean to the Agricultural Adjustment Administration farm program in the Northeast.

Much of the comment on the new Act has been somewhat confusing, and many persons have held the idea that it is unusually hard to understand. Probably much of that belief has resulted from the fact that the Act does contain a considerable amount of detail.

However, the main ideas of the new Act are not complicated. It aims at a better-rounded national farm program than we have had before.

First, it provides for continuing the agricultural conservation work which has been carried on for the past two years. As in the past, there are two sides to this voluntary program--using soil-building practices, and staying within acreage allotments of certain soil-depleting crops. The allotments for soil-depleting crops, in years of normal yield, would supply all of the farm products we need for use at home or for export, together with additional reserves against short crop years.

Second, the Act provides for a more extensive system of loans on certain stored farm products than has been available to farmers in the past. In years of unusually large production farmers could put some of their surplus production under loan and keep them until the products again were needed and prices were better. Loans would be made only to farmers cooperating in the agricultural conservation program, except in years when marketing quotas were in effect, when non-cooperating farmers could obtain loans on a limited basis.

Third, the Act provides for marketing quotas for tobacco, wheat, corn, cotton, and rice. Those quotas would be used only during emergency periods of unusually large surplus. A marketing quota for a commodity would be large enough to supply enough for domestic buyers and for export. Ordinarily the voluntary conservation work and the loan program should keep farming in balance.

There probably has been more misunderstanding about marketing quotas than about any other point of the new farm Act. The facts about them are these: They would be put into effect for any of the commodities named only

when supplies went to a high point definitely specified in the law. They would be submitted to a vote of the farmers affected, and if more than a third of those voting were opposed they would not go into effect. If a marketing quota were favored by two-thirds or more of those voting, it would be effective upon all farmers. Quotas for corn would be effective only in the commercial corn belt of the Middle West. Individual quotas for wheat would not apply to wheat farmers who sold less than 100 bushels. The quotas would not forbid the sale of excess amounts; they represent the amount each farmer could sell without penalty. Farmers who had more to sell than their quotas permitted could either sell the excess and pay the penalty on it, or could hold it until the total supply was reduced and the quota was removed. A farmer could obtain a loan on amounts which could not be sold without penalty while the quota was in effect. The amount loaned to farmers not cooperating in the agricultural conservation program would be 60 percent of the rate to cooperators.

Fourth, the Act provides for insurance against loss in yields of wheat due to unavoidable causes commencing with the wheat crop planted for harvest in 1939. Premiums may be paid in wheat or in cash equivalent.

Effect of the Act on the farm program in the Northeast

The acreage allotment and loan programs for corn will create the beginning of an ever-normal granary, a point of special interest to Northeast dairymen and poultry raisers. It also would promote more stable acreage and prices for the large cash crops, which in turn should mean better marketing conditions for other crops.

Those, although very important to farmers and consumers of the Northeast, are indirect effects. Some of the direct effects which should be of special interest at this time are as follows:

Several details of the 1938 conservation program have been modified. In spelling out just how the program shall operate, the new Act gives directions as to how payments are to be made, and how they are to be divided between different commodities. In other words, Congress has written a formula to be followed. As a result, several of the rates originally announced must be revised, some of them downward, because of the limit to the money authorized. On the other hand, total payments to most farms in the Northeast will be about the same as they have been, because the Act also provides for special increases in rates to family-sized farms. All payments of up to \$200 will be increased. The lower the payments are the higher the proportionate increases will be. The list of soil-building practices approved for each State will not be changed.

The only marketing quotas which might apply to the Northeast are for tobacco and wheat. The Act states that no quota for type 41 tobacco can be effective until 1940. There will be no quota on other kinds of cigar tobacco in 1938. Marketing quotas for wheat cannot be made effective in 1938 unless parity payments are made for wheat. Congress has made no appropriation for such payments.

Detailed information on the revisions in the conservation program, on the programs for tobacco and wheat, and on crop insurance for wheat is being prepared and will be sent to you soon.

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